

Auditing Procedures Report

Issued under P.A. 2 of 1908, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name VILLAGE OF DEERFIELD	County LENAWEE
Fiscal Year End FEBRUARY 28, 2006	Opinion Date MARCH 23, 2006	Date Audit Report Submitted to State MAY 10, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

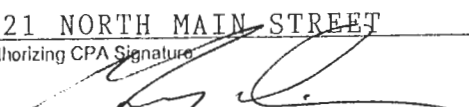
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	NO MATERIAL COMMENTS TO BE MADE.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) ROBERTSON, EATON & OWEN, P.C.		Telephone Number 517 265-6154	
Street Address 121 NORTH MAIN STREET		City ADRIAN	State MI
Authorizing CPA Signature 		Zip 49221	License Number 1101008646
Printed Name GARY OWEN			

VILLAGE OF DEERFIELD, MICHIGAN

FINANCIAL STATEMENTS

YEAR ENDED FEBRUARY 28, 2006

**WITH
INDEPENDENT AUDITORS' REPORT**

VILLAGE OF DEERFIELD, MICHIGAN

INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

	PAGE NUMBER
Management's Discussion and Analysis	i – vi
Independent Auditors' Report	1 – 2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in with <i>Government Auditing Standards</i>	3 – 4
Basic Financial Statements:	
<i>Government-wide Financial Statements</i>	
Statement of Net Assets	5
Statement of Activities	6 – 7
<i>Fund Financial Statements</i>	
Balance Sheet – Governmental Funds	8
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	9
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	11
Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual:	
General Fund	12 – 13
Major Street Fund	14
Local Street Fund	15
Statement of Net Assets – Proprietary Funds	16 – 17
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	18
Statement of Cash Flows – Proprietary Funds	19 – 20
Statement of Assets and Liabilities – Fiduciary Funds	21
Notes to Financial Statements	22 – 35

VILLAGE OF DEERFIELD, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 28, 2006

As management of the Village of Deerfield, Michigan, we offer readers of the Village of Deerfield, Michigan's financial statements this narrative overview and analysis of the financial activities of the Village of Deerfield, Michigan for the fiscal year ended February 28, 2006. We encourage readers to consider the information presented here.

Financial Highlights

- ◆ The assets of the Village of Deerfield, Michigan exceeded its liabilities at the close of the most recent fiscal year \$3,737,251 (*net assets*). Of this amount, \$786,729 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- ◆ The government's total net assets decreased \$29,689. This decrease is attributable to depreciation expense of \$161,211.
- ◆ As of the close of the current year, the Village of Deerfield, Michigan's governmental funds reported combined ending fund balances of \$607,353, an increase of \$42,840 in comparison with the prior year.
- ◆ At the end of the current year, unreserved fund balance for the General Fund was \$435,391, or 168 percent of total General Fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Deerfield, Michigan's basic financial statements. The Village of Deerfield, Michigan's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village of Deerfield, Michigan's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village of Deerfield, Michigan's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village of Deerfield, Michigan is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the Village of Deerfield, Michigan that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village of Deerfield, Michigan include general government, public safety, highways and streets, and culture and recreation. The business-type activities of the Village of Deerfield, Michigan include utility systems.

The government-wide financial statements can be found on page 5 – 7 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that been segregated for specific activities or objectives. The Village of Deerfield, Michigan, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Deerfield, Michigan can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Village of Deerfield, Michigan maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Major Street Fund, and Local Street Fund, which are considered to be major funds.

The Village of Deerfield, Michigan adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for all governmental funds to demonstrate compliance with budget. The basic governmental fund financial statements can be found on pages 8 – 15 of this report.

Proprietary Fund. The Village of Deerfield, Michigan maintains two types of Proprietary Funds. *Enterprise Funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village of Deerfield, Michigan uses Enterprise Funds to account for its Water and Sewer Funds. The *Internal Service Fund* is an accounting fund used to acquire equipment. The Village of Deerfield, Michigan uses an Internal Service Fund (Equipment Replacement Fund) to account for the purchase of equipment. Because this service predominantly benefits governmental rather than a business-type function it has been included within *governmental activities* in the government-wide financial statements.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Funds, which are considered to be major funds of the Village of Deerfield, Michigan. The Internal Service Fund (Equipment Replacement Fund) is in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on pages 16 – 20 of this report.

Fiduciary Funds. Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not available* to support the Village of Deerfield's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

The basic fiduciary fund financial statement can be found on page 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 – 35 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Village of Deerfield, Michigan, assets exceeded liabilities by \$3,737,251 at the close of the most recent fiscal year.

By far the largest portion of the Village of Deerfield, Michigan's net assets (73 percent) reflects its investment in capital assets (e.g., land, buildings, equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village of Deerfield, Michigan uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Village of Deerfield, Michigan's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay any debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Village of Deerfield, Michigan's Net Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current and other assets	\$ 674,879	\$ 395,823	\$ 1,070,702
Capital assets	<u>1,284,347</u>	<u>2,279,430</u>	<u>3,563,777</u>
Total assets	<u>\$ 1,959,226</u>	<u>\$ 2,675,253</u>	<u>\$ 4,634,479</u>
Current liabilities	\$ 15,268	\$ 35,919	\$ 51,187
Noncurrent liabilities	<u></u>	<u>846,041</u>	<u>846,041</u>
Total liabilities	<u>\$ 15,268</u>	<u>\$ 881,960</u>	<u>\$ 897,228</u>
Net assets:			
Invested in capital assets, net of related debt	\$ 1,284,347	\$ 1,433,380	\$ 2,917,727
Restricted	232,795		232,795
Unrestricted	<u>426,816</u>	<u>359,913</u>	<u>786,729</u>
Total net assets	<u>\$ 1,943,958</u>	<u>\$ 1,793,293</u>	<u>\$ 3,937,251</u>

An additional portion of the Village of Deerfield, Michigan's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$786,729) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Village of Deerfield, Michigan is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Financial Analysis of the Government's Funds

As noted earlier, the Village of Deerfield, Michigan uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village of Deerfield, Michigan's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Village of Deerfield, Michigan's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of this fiscal year.

As of the end of the current fiscal year, the Village of Deerfield, Michigan's governmental funds reported combined ending fund balances of \$607,353, an increase of \$42,840 in comparison with the prior year. Special Revenue Funds have \$171,962 available for their special uses.

The General Fund is the chief operating fund of the Village of Deerfield, Michigan. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$435,391.

The fund balance of the Village of Deerfield, Michigan's General Fund increased by \$24,567 during the current fiscal year. Key factors in this increase were the level of property tax and State revenues.

Proprietary Fund - The Village of Deerfield, Michigan's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the utility funds at the end of the year amounted to \$359,913. The total increase in net assets for the funds was \$22,781.

General Fund Budgetary Highlights

The (\$3,626) variance in the Legislative Budget was for payment to Region II Planning Commission \$826 for assistance in updating the Village Master Plan. Also, a payment of \$2,800 was made to Mannik & Smith for a plan for improving and landscaping the riverbank adjacent to the bridge over the River Raisin. Under Attorney, the (\$1,024) variance is due to representation in a court case involving theft of water from the Village with payment to the Village attorney. The (\$613) variance under Treasurer was for additional postage for mailing the Village Summer Taxes. Under Community service, the variance of (\$273) was funding to the Deerfield Public Schools for Equation Team and The Elementary Reading Month activities. Variance of \$(5,483) in Recreation – Parks was due to a payment to Habitec for purchase of and installation of cameras in our Village Park to help curb vandalism.

Capital Asset and Debt Administration

Capital assets. The Village of Deerfield, Michigan's investment in capital assets for its governmental and business-type activities as of February 28, 2006, amounts to \$3,563,777 (net of accumulated depreciation). This investment in capital assets includes land, buildings and utility systems, equipment, and roads. The total decrease in the Village of Deerfield, Michigan's investment in capital assets for the current fiscal year was 3.2% (a 2.2% decrease for governmental activities and a 1.0% percent decrease for business-type activities).

Village of Deerfield, Michigan's Capital Assets

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Land	\$ 24,625	\$ 16,871	\$ 41,496
Land improvements	16,921		16,921
Buildings	150,194		150,194
Equipment and furnishings	73,506		73,506
Vehicles	86,114		86,114
Infrastructure	932,987		932,987
Water system		1,153,310	1,153,310
Sewer system		1,109,249	1,109,249
	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,284,347</u>	<u>\$ 2,279,430</u>	<u>\$ 3,563,777</u>

Additional information on the Village of Deerfield's capital assets can be found in Note 3. C. on pages 29 and 30.

Long-term debt. At the end of the current fiscal year, the Village of Deerfield, Michigan had total bonded debt outstanding of \$846,050 which is backed by the full faith and credit of the government.

Additional information on the Village of Deerfield, Michigan's long-term debt can be found in Note 5 on pages 34 and 35 of this report.

Economic Factors and Next Year's Budgets and Rates

The Village Council has increased the fringe benefits for Village Employees due to increased health care costs. The energy portion of the budget has been increased due to increased energy costs. On the operating portion of the General Fund, it has been increased to reflect the higher gasoline prices. Our Major Street budget has been increased due to a road project on Carey Street costing around \$110,000. Additional seal coating has been budgeted in our Local Street budget for our bridge project. Beautifying the riverbank along the bridge over the River Raisin added an additional \$35,000 to the General Fund budget. Purchase of a Treatment Grinder for \$30,000 has been appropriated in the Sewer O & M Budget. Equipment Replacement will be funding a new salt spreader for \$6,500. The above mentioned items were considered in preparing the fiscal year 2006-07 budget.

Requests for Information

This financial report is designed to provide a general overview of the Village of Deerfield, Michigan's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village of Deerfield, 101 West River Street, Deerfield, Michigan 49238.

March 23, 2006

INDEPENDENT AUDITORS' REPORT

Village Council
Village of Deerfield
Deerfield, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Deerfield, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Deerfield, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Deerfield, Michigan, as of February 28, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of March 1, 2005.

March 23, 2006

Village Council
Village of Deerfield
Deerfield, Michigan

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2006 on our consideration of Village of Deerfield, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages i through vi is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Robertson, Eaton & Owen, P.C.

March 23, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Village Council
Village of Deerfield
Deerfield, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Deerfield, Michigan, as of and for the year ended February 28, 2006, which collectively comprise the Village of Deerfield, Michigan's basic financial statements and have issued our report thereon dated March 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village of Deerfield, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

March 23, 2006

Village Council
Village of Deerfield
Deerfield, Michigan

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Village of Deerfield, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management of Village of Deerfield, Michigan, Departments of the State of Michigan, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robertson, Eaton & Owen, P.C.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF NET ASSETS

February 28, 2006

	PRIMARY GOVERNMENT		
	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Cash and cash equivalents	\$ 618,656	\$ 330,316	\$ 948,972
Investments	659		659
Receivables:			
Taxes	4,849		4,849
Accounts		60,272	60,272
Prepaid supplies		7,066	7,066
Internal balances	28,704	(28,704)	
Due from State	21,999		21,999
Due from Fiduciary Funds	12		12
Deposits		1,300	1,300
Restricted assets:			
Bond and interest redemption		25,573	25,573
Capital assets:			
Land	24,625		24,625
Land improvements	37,603		37,603
Buildings	229,889		229,889
Equipment, furniture and fixtures	163,347		163,347
Vehicles	146,631		146,631
Infrastructure – roads	2,058,304		2,058,304
Sewer system		1,746,357	1,746,357
Water system		1,933,185	1,933,185
Less: Accumulated depreciation	<u>(1,376,052)</u>	<u>(1,400,112)</u>	<u>(2,776,164)</u>
Total assets	<u>\$ 1,959,226</u>	<u>\$ 2,675,253</u>	<u>\$ 4,634,479</u>
LIABILITIES:			
Accounts payable	\$ 6,693	\$ 3,669	\$ 10,362
Accrued sick pay	8,575	6,677	15,252
Liabilities payable from restricted assets		25,573	25,573
Noncurrent assets:			
Due within one year		23,333	23,333
Due in more than one year		<u>822,708</u>	<u>822,708</u>
Total liabilities	<u>15,268</u>	<u>881,960</u>	<u>897,228</u>
NET ASSETS:			
Invested in capital assets, net of related debt	1,284,347	1,433,380	2,717,727
Restricted for:			
Highways and streets	171,962		171,962
Equipment replacement	60,833		60,833
Unrestricted	<u>426,816</u>	<u>359,913</u>	<u>786,729</u>
Total net assets	<u>\$ 1,943,958</u>	<u>\$ 1,793,293</u>	<u>\$ 3,737,251</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended February 28, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental activities:				
General government	\$ 209,493	\$	\$	\$
Public safety	49,091	4,225		
Culture and recreation	21,730			
Streets	<u>173,353</u>	<u>25,224</u>	<u> </u>	<u> </u>
Total governmental activities	<u>453,667</u>	<u>29,449</u>	<u>-</u>	<u>-</u>
Business-Type Activities:				
Water system	216,618	242,291		
Sewer system	<u>177,008</u>	<u>175,024</u>	<u> </u>	<u> </u>
	<u>393,626</u>	<u>417,315</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 847,293</u>	<u>\$ 446,764</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:

Property taxes
Intergovernmental – State
Unrestricted investment earnings
Miscellaneous
Transfers

Total general revenues and transfers

Change in net assets

Net assets – beginning of year

Net assets – end of year

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets
Primary Government

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (209,493)	\$	\$ (209,493)
(44,866)		(44,866)
(21,730)		(21,730)
<u>(148,129)</u>	<u></u>	<u>(148,129)</u>
<u>(424,218)</u>	<u>-</u>	<u>(424,218)</u>
	25,673	25,673
<u></u>	<u>(1,984)</u>	<u>(1,984)</u>
<u>-</u>	<u>23,689</u>	<u>23,689</u>
<u>\$ (424,218)</u>	<u>\$ 23,689</u>	<u>\$ (400,529)</u>
\$ 176,922	\$	\$ 176,922
168,139		168,139
12,940	7,092	20,032
5,747		5,747
<u>8,000</u>	<u>(8,000)</u>	<u></u>
<u>371,748</u>	<u>(908)</u>	<u>370,840</u>
(52,470)	22,781	(29,689)
<u>1,996,428</u>	<u>1,770,512</u>	<u>3,766,940</u>
<u>\$ 1,943,958</u>	<u>\$ 1,793,293</u>	<u>\$ 3,737,251</u>

VILLAGE OF DEERFIELD, MICHIGAN

BALANCE SHEET

GOVERNMENTAL FUNDS

February 28, 2006

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and cash equivalents	\$ 391,604	\$ 105,216	\$ 61,003	\$ 557,823
Investments	659			659
Receivables:				
Taxes	4,849			4,849
Due from other funds	30,468			30,468
Due from State	<u>15,809</u>	<u>4,761</u>	<u>1,429</u>	<u>21,999</u>
Total assets	<u>\$ 443,389</u>	<u>\$ 109,977</u>	<u>\$ 62,432</u>	<u>\$ 615,798</u>
LIABILITIES:				
Accounts payable	\$ 6,693	\$	\$	\$ 6,693
Due to other funds	<u>1,305</u>	<u>352</u>	<u>95</u>	<u>1,752</u>
Total liabilities	<u>7,998</u>	<u>352</u>	<u>95</u>	<u>8,445</u>
FUND BALANCES:				
Unreserved, reported in:				
General Fund	435,391			435,391
Major Street		109,625		109,625
Local Street			<u>62,337</u>	<u>62,337</u>
Total fund balances	<u>435,391</u>	<u>109,625</u>	<u>62,337</u>	<u>607,353</u>
Total liabilities and fund balances	<u>\$ 443,389</u>	<u>\$ 109,977</u>	<u>\$ 62,432</u>	<u>\$ 615,798</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

February 28, 2006

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	\$ 1,284,347
Long-term portion of accrued sick and vacation pay liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(8,575)
Internal Service Fund (Equipment Replacement Fund) is used by the Village to purchase new equipment. The assets and liabilities of the Equipment Replace- ment Fund are included in governmental activities in the Statement of Net Assets.	<u>60,833</u>
Net differences	1,336,605
Total fund balance in governmental funds	<u>607,353</u>
Total net assets of governmental activities	<u>\$ 1,943,958</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended February 28, 2006

	<u>General Fund</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 159,360	\$	\$ 17,562	\$ 176,922
Intergovernmental – State	93,483	57,419	17,237	168,139
Licenses and permits	4,871			4,871
Charges for services	25,224			25,224
Interest income	7,957	2,561	166	10,684
Miscellaneous	<u>5,101</u>	<u></u>	<u></u>	<u>5,101</u>
Total revenues	<u>295,996</u>	<u>59,980</u>	<u>34,965</u>	<u>390,941</u>
Expenditures:				
Current:				
General government	163,929			163,929
Public safety	49,028			49,028
Culture and recreation	13,409			13,409
Routine maintenance		35,998	25,673	61,671
Winter maintenance		8,027	6,974	15,001
Other	<u>32,063</u>	<u></u>	<u></u>	<u>32,063</u>
Total expenditures	<u>258,429</u>	<u>44,025</u>	<u>32,647</u>	<u>335,101</u>
Excess of revenues over expenditures	37,567	15,955	2,318	55,840
Other financing uses:				
Transfers out	<u>(13,000)</u>	<u></u>	<u></u>	<u>(13,000)</u>
Net changes in fund balances	24,567	15,955	2,318	42,840
Fund balances – beginning of year	<u>410,824</u>	<u>93,670</u>	<u>60,019</u>	<u>564,513</u>
Fund balances – end of year	<u>\$ 435,391</u>	<u>\$ 109,625</u>	<u>\$ 62,337</u>	<u>\$ 607,353</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Year Ended February 28, 2006

Amounts reported for governmental activities in the Statement of
Activities are different because:

Net change in fund balance – total governmental funds	\$ 42,840
Government funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays was less than depreciation in the current period. (Total depreciation \$119,053 less total capital outlays \$40,390).	(78,663)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds – Accrued long-term sick and vacation pay – net effect	(631)
Internal Service Fund (Equipment Replacement Fund) is used by the Village to purchase new equipment. The net loss of this activity is reported with with governmental activities.	<u>(16,016)</u>
Change in net assets in governmental activities	<u>\$ (52,470)</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended February 28, 2006

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Property taxes	\$ 155,000	\$ 159,360	\$ 4,360
Intergovernmental revenues:			
State shared revenues	80,000	93,483	13,483
Licenses and permits:			
Building permits	2,500	4,225	1,725
Liquor licenses	500	646	146
Charges for services:			
Charges for Major Street	13,000	15,908	2,908
Charges for Local Street	7,800	9,316	1,516
Interest income	1,500	7,957	6,457
Miscellaneous/refunds and rebates	<u>20,400</u>	<u>5,101</u>	<u>(15,299)</u>
Total revenues	<u>280,700</u>	<u>295,996</u>	<u>15,296</u>
Expenditures:			
General Government:			
Legislative	11,251	14,877	(3,626)
Executive	7,518	6,268	1,250
Attorney	2,000	3,024	(1,024)
Clerk	16,514	13,743	2,771
Accounting	3,000	2,850	150
Treasurer	3,693	4,306	(613)
Village Hall	8,750	6,809	1,941
Planning – Zoning Commission	1,133	683	450
Village property	<u>129,280</u>	<u>111,369</u>	<u>17,911</u>
Total General Government	<u>183,139</u>	<u>163,929</u>	<u>19,210</u>
Public Safety:			
Police Department	35,000	31,481	3,519
Protective inspections	6,500	6,262	238
Street lights	<u>12,000</u>	<u>11,285</u>	<u>715</u>
Total Public Safety	<u>53,500</u>	<u>49,028</u>	<u>4,472</u>
Total expenditures carried forward	<u>236,639</u>	<u>212,957</u>	<u>23,682</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended February 28, 2006

	Original and <u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - <u>Positive (Negative)</u>
Total expenditures carried forward	\$ 236,639	\$ 212,957	\$ 23,682
Culture and Recreation:			
Community service	3,100	3,373	(273)
Recreation – parks	3,382	8,865	(5,483)
Library	<u>1,169</u>	<u>1,171</u>	<u>(2)</u>
Total Culture and Recreation	<u>7,651</u>	<u>13,409</u>	<u>(5,758)</u>
Other:			
Insurance	26,500	25,817	683
Worker's Compensation Insurance	<u>6,000</u>	<u>6,246</u>	<u>(246)</u>
Total Other	<u>32,500</u>	<u>32,063</u>	<u>437</u>
Total expenditures	<u>276,790</u>	<u>258,429</u>	<u>18,361</u>
Excess of revenues over expenditures	3,910	37,567	33,657
Other financing uses:			
Transfers out	<u>(13,000)</u>	<u>(13,000)</u>	<u></u>
Net change in fund balance	(9,090)	24,567	33,657
Fund balance – beginning of year		<u>410,824</u>	
Fund balance – end of year		<u>\$ 435,391</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

MAJOR STREET FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL

For the Year Ended February 28, 2006

	Original and <u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget - <u>Positive (Negative)</u>
Revenues:			
Intergovernmental revenues	\$ 52,000	\$ 57,419	\$ 5,419
Interest income	<u>500</u>	<u>2,561</u>	<u>2,061</u>
Total revenues	<u>52,500</u>	<u>59,980</u>	<u>7,480</u>
Expenditures:			
Routine maintenance	59,006	35,998	23,008
Winter maintenance	<u>6,400</u>	<u>8,027</u>	<u>(1,627)</u>
Total expenditures	<u>65,406</u>	<u>44,025</u>	<u>21,381</u>
Excess (deficiency) of revenues over (under) expenditures	(12,906)	15,955	28,861
Fund balance – beginning of year		<u>93,670</u>	
Fund balance – end of year		<u>\$ 109,625</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

LOCAL STREET FUND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL**

For the Year Ended February 28, 2006

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
Revenues:			
Property taxes	\$ 16,500	\$ 17,562	\$ 1,062
Intergovernmental revenues	16,000	17,237	1,237
Interest income	<u>75</u>	<u>166</u>	<u>91</u>
Total revenues	<u>32,575</u>	<u>34,965</u>	<u>2,390</u>
Expenditures:			
Routine maintenance	15,503	25,673	(10,170)
Winter maintenance	<u>4,503</u>	<u>6,974</u>	<u>(2,471)</u>
Total expenditures	<u>20,006</u>	<u>32,647</u>	<u>(12,641)</u>
Excess (deficiency) of revenues over (under) expenditures	12,569	2,318	(10,251)
Fund balance – beginning of year		<u>60,019</u>	
Fund balance – end of year		<u>\$ 62,337</u>	

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

February 28, 2006

	Business-Type Activity Enterprise Fund			Internal Service Fund
	Water Fund	Sewer Fund	Totals (Memorandum Only)	Equipment Replacement Fund
ASSETS:				
Current assets:				
Cash and cash equivalents	\$ 258,752	\$ 71,564	\$ 330,316	\$ 60,833
Receivables:				
Water usage	32,795		32,795	
Sewer usage		27,477	27,477	
Due from other funds		1,305	1,305	
Prepaid supplies	5,051	2,015	7,066	
Deposits	<u>1,300</u>	<u></u>	<u>1,300</u>	<u></u>
Total current assets	<u>297,898</u>	<u>102,361</u>	<u>400,259</u>	<u>60,833</u>
Noncurrent assets:				
Restricted cash:				
Bond interest and redemption account	<u>25,573</u>	<u>-</u>	<u>25,573</u>	<u>-</u>
Capital assets:				
Water system	1,933,185		1,933,185	
Sewer system		1,746,357	1,746,357	
Less: Accumulated depreciation	<u>(779,875)</u>	<u>(620,237)</u>	<u>(1,400,112)</u>	<u></u>
Total capital assets – net	<u>1,153,310</u>	<u>1,126,120</u>	<u>2,279,430</u>	<u>-</u>
Total assets	<u>\$ 1,476,781</u>	<u>\$ 1,228,481</u>	<u>\$ 2,705,262</u>	<u>\$ 60,833</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

February 28, 2006

	Business-Type Activity Enterprise Fund			Internal Service Fund
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals (Memorandum Only)</u>	<u>Equipment Replacement Fund</u>
LIABILITIES:				
Current liabilities:				
Accounts payable	\$ 2,888	\$ 781	\$ 3,669	\$
Due to other funds	14,143	15,866	30,009	
Accrued sick pay	<u>5,010</u>	<u>1,667</u>	<u>6,677</u>	
Total current liabilities	<u>22,041</u>	<u>18,314</u>	<u>40,355</u>	-
Current liabilities payable from restricted assets:				
DWRF loan payable	16,667		16,667	
Accrued interest payable	<u>8,906</u>		<u>8,906</u>	
Total current liabilities payable from re- stricted assets	<u>25,573</u>	<u>-</u>	<u>25,573</u>	-
Noncurrent liabilities:				
DWRF loan payable	829,383		829,383	
Accrued sick pay	<u>12,455</u>	<u>4,203</u>	<u>16,658</u>	
Total noncurrent liabilities	<u>841,838</u>	<u>4,203</u>	<u>846,041</u>	-
Total liabilities	<u>889,452</u>	<u>22,517</u>	<u>911,969</u>	-
Net assets:				
Invested in capital assets, net of related debt	307,260	1,126,120	1,433,380	
Unrestricted	<u>280,069</u>	<u>79,844</u>	<u>359,913</u>	<u>60,833</u>
Total net assets	<u>\$ 587,329</u>	<u>\$ 1,205,964</u>	<u>\$ 1,793,293</u>	<u>\$ 60,833</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS**

For the Year Ended February 28, 2006

	Business-Type Activity Enterprise Fund			Internal Service Fund
	Water Fund	Sewer Fund	Totals (Memorandum Only)	Equipment Replacement Fund
Operating revenues:				
Water charges	\$ 233,052	\$	\$ 233,052	\$
Sewer usage charges		171,080	171,080	
Other	<u>9,239</u>	<u>3,944</u>	<u>13,183</u>	
Total operating revenues	<u>242,291</u>	<u>175,024</u>	<u>417,315</u>	<u>-</u>
Operating expenses:				
Wages	75,723	69,646	145,369	
Employee benefits	36,598	28,081	64,679	
Operating supplies	20,629	16,717	37,346	
Contracted services	8,312	1,029	9,341	
Communication	2,268	1,561	3,829	
Utilities	12,075	29,126	41,201	
Repairs and maintenance	4,174	7,775	11,949	
Miscellaneous	1,830		1,830	
Depreciation	19,085	23,073	42,158	
Ground water exploration	14,247		14,247	
Rental				1,372
Equipment				<u>37,900</u>
Total operating expenses	<u>194,941</u>	<u>177,008</u>	<u>371,949</u>	<u>39,272</u>
Operating income (loss)	<u>47,350</u>	<u>(1,984)</u>	<u>45,366</u>	<u>(39,272)</u>
Nonoperating revenues (expense):				
Interest income	6,012	1,080	7,092	2,256
Interest expense	<u>(21,677)</u>		<u>(21,677)</u>	
Total nonoperating revenues (expense)	<u>(15,665)</u>	<u>1,080</u>	<u>(14,585)</u>	<u>2,256</u>
Net income (loss) before transfers	31,685	(904)	30,781	(37,016)
Transfers in	6,000		6,000	21,000
Transfers out	<u>(7,000)</u>	<u>(7,000)</u>	<u>(14,000)</u>	
Change in net assets	30,685	(7,904)	22,781	(16,016)
Total net assets – beginning of year	<u>556,644</u>	<u>1,213,868</u>	<u>1,770,512</u>	<u>76,849</u>
Total net assets – end of year	<u>\$ 587,329</u>	<u>\$ 1,205,964</u>	<u>\$ 1,793,293</u>	<u>\$ 60,833</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended February 28, 2006

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Business-Type Activity Enterprise Fund			Internal Service Fund
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals (Memorandum Only)</u>	<u>Equipment Replacement Fund</u>
Cash flows from operating activities				
Cash received from customers	\$ 249,275	\$ 180,916	\$ 430,191	\$
Cash paid to suppliers and employees	<u>(183,718)</u>	<u>(158,325)</u>	<u>(342,043)</u>	<u>(39,272)</u>
Net cash provided by (used in) operating activities	<u>65,557</u>	<u>22,591</u>	<u>88,148</u>	<u>(39,272)</u>
Cash flows from capital and related financing activities:				
DWRF loan payments	(41,792)		(41,792)	
Property assets purchased	<u>(7,433)</u>	<u>(7,015)</u>	<u>(14,448)</u>	
Net cash provided by (used in) capital and related financing activities	<u>(49,225)</u>	<u>(7,015)</u>	<u>(56,240)</u>	<u>-</u>
Cash flows from noncapital financing activities:				
Transfers to other funds	(7,000)	(7,000)	(14,000)	
Transfers from other funds	<u>6,000</u>		<u>6,000</u>	<u>21,000</u>
Net cash provided by (used in) noncapital financing activities	<u>(1,000)</u>	<u>(7,000)</u>	<u>(8,000)</u>	<u>21,000</u>
Cash flows from investing activities:				
Interest paid	(21,677)		(21,677)	
Interest income	<u>6,012</u>	<u>1,080</u>	<u>7,092</u>	<u>2,256</u>
Net cash provided by (used in) investing activities	<u>(15,665)</u>	<u>1,080</u>	<u>(14,585)</u>	<u>2,256</u>
Net increase (decrease) in cash and cash equivalents	(333)	9,656	9,323	(16,016)
Cash and cash equivalents – beginning of year	<u>284,658</u>	<u>61,908</u>	<u>346,566</u>	<u>76,849</u>
Cash and cash equivalent – end of year	<u>\$ 284,325</u>	<u>\$ 71,564</u>	<u>\$ 355,889</u>	<u>\$ 60,833</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For Fiscal Year Ended February 28, 2006

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES

	Business-Type Activity Enterprise Fund			Internal Service Fund
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals (Memorandum Only)</u>	<u>Equipment Replacement Fund</u>
Operating income (loss)	\$ 47,350	\$ (1,984)	\$ 45,366	\$ (39,272)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	19,085	23,073	42,158	
(Increase) decrease in:				
Accounts receivable	6,984	5,892	12,876	
Prepaid expenses	(423)	(255)	(678)	
Due from other funds		(1,305)	(1,305)	
Increase (decrease) in:				
Accounts payable and other liabilities	1,752	3,902	5,654	
Due to other funds	<u>(9,191)</u>	<u>(6,732)</u>	<u>(15,923)</u>	<u> </u>
Net cash provided by (used in) operating activities	<u>\$ 65,557</u>	<u>\$ 22,591</u>	<u>\$ 88,148</u>	<u>\$ (39,272)</u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
February 28, 2006

	<u>Tax Collection</u>	<u>T & A Payroll</u>
ASSETS:		
Cash	\$ <u>2</u>	\$ <u>4,644</u>
Total assets	\$ <u><u>2</u></u>	\$ <u><u>4,644</u></u>
LIABILITIES:		
Due to General Fund	\$ 2	\$ 10
Accrued wages	<u> </u>	<u>4,634</u>
Total liabilities	\$ <u><u>2</u></u>	\$ <u><u>4,644</u></u>

The notes to the financial statements are an integral part of this statement.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Deerfield, Michigan (Village) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

Effective March 1, 2005, the Village of Deerfield, Michigan implemented the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Significant changes in the statement include the following:

- ◆ A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Village’s overall financial position and results of operations has been included with the financial statements.
- ◆ Financial statements prepared using full accrual accounting for all of the Village’s activities.
- ◆ A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Village of Deerfield, Michigan has elected to implement the general provisions of the statement.

A. Reporting Entity

The Village of Deerfield is a Michigan Municipal Corporation governed by the Village Council. The accompanying financial statements present the government and entities for which the government is considered to be financially accountable.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Amounts due from other governments and services provided associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Major Street Fund* is a special revenue fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as major streets under State of Michigan Act 51 of Public Acts of 1951.

The *Local Street Fund* is a special revenue fund that receives State and local funding for the purpose of construction and maintenance of Village streets designated as local streets under State of Michigan Act 51 of Public Acts of 1951.

The government reports the following major proprietary funds:

The *Water Fund* accounts for the acquisition, operation, and maintenance of the Village's water system.

The *Sewer Fund* accounts for the acquisition, operation, and maintenance of the Village's sewer system.

Additionally, the government reports the following fund types:

The *Internal Service Fund* (Equipment Replacement Fund) is used to account for equipment acquisition.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The *Fiduciary Funds – Trust and Agency Type Funds* are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The Agency Fund (*Tax Account*) is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities (Water and Sewer Funds), subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments of utility charges between the Village's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various function concerned.

Amounts reported as *program revenues* included 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary Funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Funds relate to charges to customers for sales and services. Operating expenses for the funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, liabilities, and net assets or equity.

1. Cash and investments

Cash includes amounts in cash on hand, demand deposits, except those deposits noted as investments (see below), as well as short-term investments with a maturity date within three months of the date acquired by the government.

Investments include a money market where the intent is to hold funds long-term.

State statutes authorize the government to invest in Obligations of the U.S. Treasury, Federal Agencies, commercial paper, corporate bonds, repurchase agreements, and State approved Investment Pools.

Investments are stated at cost or amortized cost. The Village Council will use amortized cost only when it reflects fair value of the investment. Currently, no investments are stated at amortized cost.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. The Village had no advances between funds at February 28, 2006.

Personal property taxes receivable is shown net of an allowance for uncollectibles.

The Village of Deerfield's tax bills are for the period from July 1 to June 30. The taxes are based on the assessed valuations as of December 31 of the preceding year. Taxes collected for the period from July 1, 2005 to June 30, 2006 based on assessments as of December 31, 2004 are recorded as revenues in the Village's fiscal year ended February 28, 2006.

Since the County through revolving funds obtains the delinquent real property taxes for the Village, the sixty (60) day rule does not apply to such delinquent taxes receivable.

The Village had a general tax millage 9 mills for 2005. The Village's maximum allowable millage is 12.5 mills. Total taxable value of Village property was \$17,706,703. Also, one mill is levied for streets

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Land improvements	20
Buildings	75
Equipment, furniture, and fixtures	20
Utility systems	5 – 100
Infrastructure	20 – 50

4. Compensated absences

The total (current and long-term portions) are shown in the Proprietary Funds and in the government-wide statements.

5. Long-term obligations

In the governmental-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

The accounting basis used by the Village for budgeting is in accordance with accounting principles generally accepted in the United States of America (GAAP).

The Village follows the budgetary procedures outlined by the State of Michigan including public hearings and proper adoption. All funds of the Village have a budget. All annual appropriations lapse at fiscal year end. The budgets are amended during the year as needed.

B. Excess of expenditures over appropriations in budgetary funds

P.A. 621 of 1978, Section 18(1), as amended, of the State of Michigan provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on an activity basis. The approved budgets of the Village for these budgetary funds were adopted to the function/activity level.

During the year ended February 28, 2006, the Village incurred expenditures in the Governmental Funds which were in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
General Government:			
Legislation	\$ 11,251	\$ 14,877	\$ 3,626
Attorney	2,000	3,024	1,024
Treasurer	3,693	4,306	613
Culture and Recreation:			
Community service	3,100	3,373	273
Recreation – parks	3,382	8,865	5,483
Library	1,169	1,171	2
Other:			
Worker's Compensation	6,000	6,246	246
Major Street:			
Winter maintenance	6,400	8,027	1,627
Local Street:			
Routine maintenance	15,503	25,673	10,170
Winter maintenance	4,503	6,974	2,471

These additional expenditures were funded by greater than anticipated revenues.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 3. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Primary Government

Deposits. At year end, the carrying value of the Village's deposits was \$948,972 and the bank balance was \$958,392. The total bank balance is classified in the following three categories of credit risk: (1) Insured or collateralized with securities held by the Village or by its agent in the Village's name. (2) Collateralized with securities held by a pledging financial institution's trust department or agent in the Village's name. (3) Uncollateralized. (This includes any bank balance that is collateralized with securities held by a pledging financial institution or by its trust department or agent but not in the Village's name.)

Due to higher cash flows during certain times of the year, especially when property taxes are being collected, deposits of the Village increase significantly. As a result, the amounts classified in category 3 at those times of year were substantially higher than at year end.

	<u>CATEGORIES</u>			
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>
United Bank & Trust Accounts	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 858,392</u>	<u>\$ 958,392</u>

The Village is not subject to interest rate risk because all deposits are in checking or savings accounts. The Village is subject to custodial credit risk and concentration of credit risk due to the fact that all deposits are at one bank and they are not fully covered by insurance.

Investments

Investments of the Village consisted of the following at February 28, 2006:

<u>Fund</u>	<u>Type</u>	<u>Cost</u>	<u>Market Value</u>
General	Putnam Money Market Fund – C-1-B	<u>\$ 659</u>	<u>\$ 659</u>

B. Receivables

Receivables as of year end for the government's individual major and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Major Streets</u>	<u>Local Streets</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Receivables:						
Taxes	\$ 4,849	\$	\$	\$	\$	\$ 4,849
Accounts				32,795	27,477	60,272
Intergovernmental	<u>15,809</u>	<u>4,761</u>	<u>1,429</u>			<u>21,999</u>
Net total receivables	<u>\$ 20,658</u>	<u>\$ 4,761</u>	<u>\$ 1,429</u>	<u>\$ 32,795</u>	<u>\$ 27,477</u>	<u>\$ 87,120</u>

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

C. Capital assets

Capital asset activity for the year ended February 28, 2006 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,625	\$ -	\$ -	\$ 24,625
Total capital assets, not being depreciated	<u>24,625</u>	<u>-</u>	<u>-</u>	<u>24,625</u>
Capital assets, being depreciated:				
Land improvements	35,113	2,490		37,603
Buildings	229,889			229,889
Equipment, furniture and fixtures	163,347			163,347
Vehicles	108,731	37,900		146,631
Infrastructure	<u>2,058,304</u>	<u>-</u>	<u>-</u>	<u>2,058,304</u>
Total capital assets, being depreciated	<u>2,595,384</u>	<u>40,390</u>	<u>-</u>	<u>2,635,774</u>
Less: Accumulated depreciation for:				
Land improvements	18,802	1,880		20,682
Buildings	76,630	3,065		79,695
Equipment, furniture and fixtures	81,674	8,167		89,841
Vehicles	50,741	9,776		60,517
Infrastructure	<u>1,029,152</u>	<u>96,165</u>	<u>-</u>	<u>1,125,317</u>
Total accumulated depreciation	<u>1,256,999</u>	<u>119,053</u>	<u>-</u>	<u>1,376,052</u>
Total capital assets, being depreciated, net	<u>1,338,385</u>	<u>(78,663)</u>	<u>-</u>	<u>1,259,722</u>
Governmental activities, capital assets – net	<u>\$ 1,363,010</u>	<u>\$ (78,663)</u>	<u>\$ -</u>	<u>\$ 1,284,347</u>

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated – land	\$ 16,871	\$ -	\$ -	\$ 16,871
Capital assets, being depreciated:				
Water system	1,933,185			1,933,185
Sewer system	<u>1,722,472</u>	<u>7,014</u>		<u>1,729,486</u>
Total capital assets, being depreciated	<u>3,655,657</u>	<u>7,014</u>	<u>-</u>	<u>3,662,671</u>
Less: Accumulated depreciation for:				
Water system	760,790	19,085		779,875
Sewer system	<u>597,164</u>	<u>23,073</u>		<u>620,237</u>
Total accumulated depreciation	<u>1,357,954</u>	<u>42,158</u>	<u>-</u>	<u>1,400,112</u>
Total capital assets, being depreciated – net	<u>\$ 2,297,703</u>	<u>\$ (35,144)</u>	<u>\$ -</u>	<u>\$ 2,262,559</u>
Business-type activities - capital assets – net	<u>\$ 2,314,574</u>	<u>\$ (35,144)</u>	<u>\$ -</u>	<u>\$ 2,279,430</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 14,493
Public safety	-
Culture and recreation	8,258
Highways and streets	<u>96,302</u>
Total depreciation expense – governmental activities	<u>\$ 119,053</u>
Business-type activities:	
Water system	\$ 19,085
Sewer system	<u>23,073</u>
Total depreciation expense – business-type activities	<u>\$ 42,158</u>

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 3. DETAILED NOTES ON ALL FUNDS (Continued)

D. Interfund receivables, payables, and transfers

Primary Government

Due to/from other funds:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 30,468	Major Street	\$ 352
		Local Street	95
		Water	14,143
		Sewer	15,866
		Payroll tax	10
		Tax collection	2
	<u>\$ 30,468</u>		<u>\$ 30,468</u>

The reason for these due to's and due from's is reimbursement to the General Fund for expenses incurred related to a specific fund.

Interfund transfers:

		<u>Transfers In</u>	
<u>Transfers out:</u>	<u>Water</u>	<u>Equipment Replacement</u>	<u>Total</u>
General	\$ 6,000	\$ 7,000	\$ 13,000
Water		7,000	7,000
Sewer		7,000	7,000
	<u>\$ 6,000</u>	<u>\$ 21,000</u>	<u>\$ 27,000</u>

The \$21,000 in transfers is to fund equipment purchases.

The \$6,000 transfer was for Water Fund operations.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 4. RETIREMENT PLAN

A. PLAN DESCRIPTION

The Village contributes to the Michigan Municipal Employees' Retirement System (MERS), an agent multi-employer defined benefit pension plan, which provides retirement benefits to all full-time employees of the Village. MERS is administered by its Board of Trustees. The actuary for the System is the Segal Company. The Municipal Employees' Retirement Act of 1984, as amended by 1996 Public Act 220 of the State of Michigan, assigns the authority to establish and amend the benefit provisions of the plans that participate in MERS to the respective employer entities; for the Village of Deerfield, that authority rests with the Village. The Municipal Employees' Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917.

B. FUNDING POLICY

The Village is required to contribute the amounts necessary to fund the plan, using an actuarial basis resulting in a level contribution method as required by State statute.

ANNUAL PENSION COST

For the year ended February 28, 2006, the Village's annual pension cost was zero. The required contribution was determined as part of the December 31, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included –

- [a] 8.0% investment rate of return,
- [b] projected salary increases of 4.5% per year compounded annually,
- [c] the assumption that benefits will increase 2.5% per year (annually) after retirement.

The actuarial value of MERS' assets was determined using techniques that smooth the effects of short term volatility in the market value of investments over a five year period.

Currently, there is an unfunded actuarial accrued liability of \$58,851.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 4. RETIREMENT PLAN (Continued)

Actuarial Accrued Liability (as of 12/31/04)

Retirees and beneficiaries currently receiving benefits	\$ 428,474
Terminated employees not yet receiving benefits	-
Current employees—	
Accumulated employee contributions including allocated investment income	48,981
Employer financed	<u>466,504</u>

Total Actuarial Accrued Liability 943,959

Net Assets Available for Benefits at Actuarial Value 885,108

(Market Value is \$863,971)

Unfunded (Overfunded) Actuarial Accrued Liability \$ 58,851

THREE YEAR TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
February 29, 2004	\$ 2,354	100%	0
February 28, 2005	10,936	100%	0
February 28, 2006	13,412	100%	0

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets [a]</u>	<u>Actuarial Accrued Liability (AAL) Entry Age [b]</u>	<u>Unfunded AAL (UAAL) [b-a]</u>	<u>Funded Ratio [a/b]</u>	<u>Covered Payroll [c]</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/99	\$ 794,782	\$ 743,812	\$ (50,970)	107%	\$ 175,407	-
12/31/00	844,671	770,996	(73,675)	110%	138,539	-
12/31/01	864,685	819,261	(45,424)	106%	149,926	-
12/31/02	843,467	851,051	7,584	99%	186,623	4%
12/31/03	861,109	896,735	35,626	96%	203,516	17.5%
12/31/04	885,108	943,959	58,851	94%	210,480	28%

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 5. LONG-TERM DEBT

The Village is replacing approximately 5,000 linear feet of water main and constructing a new 200,000 gallon elevated water storage tank. The total cost was \$916,050 which is funded by a bond issue.

The bonds are revenue bonds to be paid from Water Fund revenues. The bond issue is the Village of Deerfield Water Supply System Revenue Bonds, Series 2003, for \$925,000 with an interest rate of 2.5%.

This bond issue was purchased by the Michigan Municipal Bond Authority under the Drinking Water Revolving Fund. Under the purchase contract, the Village will receive the principal proceeds as loan draw-downs as the construction costs are incurred. At February 28, 2006 the loan/bond balance outstanding was \$846,050.

Projected debt payments are as follows:

**\$925,000
VILLAGE OF DEERFIELD
COUNTY OF LENA WEE, STATE OF MICHIGAN
WATER SUPPLY SYSTEM REVENUE BONDS
SERIES 2003**

<u>Payment Date*</u>	<u>Principal Due</u>	<u>Interest Rate</u>	<u>Interest Due</u>	<u>Total Payment</u>	<u>Fiscal Year Total</u>
4/1/2006	\$		\$ 10,687.50	\$ 10,687.50	\$
10/1/2006	40,000.00	2.500%	10,687.50	50,687.50	61,375.00
4/1/2007			10,187.50	10,187.50	
10/1/2007	40,000.00	2.500%	10,187.50	50,187.50	60,375.00
4/1/2008			9,687.50	9,687.50	
10/1/2008	40,000.00	2.500%	9,687.50	49,687.50	59,375.00
4/1/2009			9,187.50	9,187.50	
10/1/2009	40,000.00	2.500%	9,187.50	49,187.50	58,375.00
4/1/2010			8,687.50	8,687.50	
10/1/2010	40,000.00	2.500%	8,687.50	48,687.50	57,375.00
4/1/2011			8,187.50	8,187.50	
10/1/2011	45,000.00	2.500%	8,187.50	53,187.50	61,375.00
4/1/2012			7,625.00	7,625.00	
10/1/2012	45,000.00	2.500%	7,625.00	52,625.00	60,250.00
4/1/2013			7,062.50	7,062.50	
10/1/2013	45,000.00	2.500%	7,062.50	52,062.50	59,125.00
4/1/2014			6,500.00	6,500.00	
10/1/2014	45,000.00	2.500%	6,500.00	51,500.00	58,000.00
4/1/2015			5,937.50	5,937.50	
10/1/2015	45,000.00	2.500%	5,937.50	50,937.50	56,875.00
4/1/2016			5,375.00	5,375.00	
10/1/2016	50,000.00	2.500%	5,375.00	55,375.00	60,750.00
4/1/2017			4,750.00	4,750.00	
10/1/2017	50,000.00	2.500%	4,750.00	54,750.00	59,500.00
4/1/2018			4,125.00	4,125.00	
10/1/2018	50,000.00	2.500%	4,125.00	54,125.00	58,250.00
4/1/2019			3,500.00	3,500.00	
10/1/2019	55,000.00	2.500%	3,500.00	58,500.00	62,000.00
4/1/2020			2,812.50	2,812.50	
10/1/2020	55,000.00	2.500%	2,812.50	57,812.50	60,625.00
4/1/2021			2,125.00	2,125.00	
10/1/2021	55,000.00	2.500%	2,125.00	57,125.00	59,250.00
4/1/2022			1,437.50	1,437.50	
10/1/2022	55,000.00	2.500%	1,437.50	56,437.50	57,875.00
4/1/2023			750.00	750.00	
10/1/2023	51,050.00	2.500%	750.00	51,800.00	52,550.00
4/1/2024			0.00	0.00	
	<u>\$ 846,050.00</u>		<u>\$ 217,250.00</u>	<u>\$ 1,063,300.00</u>	<u>\$ 1,063,300.00</u>

*Note: The payment is due to the State 5 days prior.

VILLAGE OF DEERFIELD, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

February 28, 2006

NOTE 5. LONG-TERM DEBT (Continued)

Schedule of Changes in Long-Term Debt:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
DWRF loan	\$ 881,050	\$	\$ 35,000	\$ 846,050	\$ 40,000
Accrued sick pay	<u>25,188</u>	<u>26,755</u>	<u>20,033</u>	<u>31,910</u>	<u>8,575</u>
	<u>\$ 906,238</u>	<u>\$ 26,755</u>	<u>\$ 55,033</u>	<u>\$ 877,960</u>	<u>\$ 48,575</u>